

(2) If no cooperative has jurisdiction over the unit and if the prospective buyer is not a low-income family, the recipient or a PHA/IHA with jurisdiction for the area in which the unit is located, whichever is specified in the documents under which the initial family acquires an ownership interest in the unit, has the prior right to purchase the ownership interest in the unit for the amount and on the terms specified in a firm contract between the homeowner and a prospective buyer. The recipient or PHA/IHA has 10 days after receiving notice of the firm contract to decide whether to exercise its right and 60 additional days to complete closing of the purchase.

(3) Where a recipient, cooperative, or PHA/IHA exercises a right to purchase, it must resell the unit to an eligible family promptly.

(4) Unless otherwise provided in the property transfer documents, none of the provisions of paragraph (b) of this section apply in the case of liquidation of a security interest in the property. If FHA has insured a mortgage on the property, the provisions of paragraph (b) of this section shall not apply upon occurrence of an event requiring termination under 24 CFR 203.41(c)(2) or 234.66(c)(2).

(c) *Limitation on equity interest an initial homeowner may retain from sale during first six years.* (1) The HOPE program is designed to assure that an initial or subsequent homeowner does not receive any undue profit from acquiring a unit under the program and that, to the extent the sales price is sufficient, an initial homeowner recovers the equity interest in the property. With respect to any sale by an initial homeowner during the first six years after acquisition, the family may retain only the amount computed under this paragraph. Any excess must be distributed as provided in § 572.135(b). The amount of equity an initial homeowner has in the property is determined by computing the sum of the following:

(i) The contribution to equity paid by the family (such as any downpayment (in the form of cash or the value of sweat equity) and any amount paid towards principal on a mortgage loan during the period of ownership);

(ii) The value of any improvements (not including normal or routine maintenance) installed at the expense of the family during the family's tenure as owner (including improvements made through sweat equity), as determined by the recipient or other entity specified in the approved application based on evidence of amounts spent on the improvements, including the cost of material and labor (or the value of the sweat equity); and

(iii) The appreciated value, determined by applying the Consumer Price Index (Urban Consumers) or other HUD approved index against the contribution to equity under paragraphs (d)(i) and (ii) of this section.

(2) The recipient (or other entity) may, at the time of initial sale, enter into an agreement with the family to set a maximum amount which this appreciation may not exceed.

(3) Amounts that count towards a family's equity may not also count towards the match.

(d) *Promissory note.* (1) If the purchase price of the unit (adjusted, if applicable as described in this paragraph) paid by the initial homebuyer is less than the fair market value of the property (based on an appraisal of the value of the unit after rehabilitation to applicable program standards conducted in accordance with the appraisal requirements in § 572.100(b)), the initial homeowner must, at closing, execute a non-amortizing, nonrecourse, noninterest-bearing promissory note, in a form acceptable to HUD, equal to the difference between such fair market value of the unit and the adjusted purchase price, together with a security instrument securing the obligation of the note and recorded in local land records or other applicable system of recordation appropriate to the type of security interest being recorded. The note must be payable to the recipient or other entity designated in the approved homeownership plan. In determining the amount of the promissory note and for that purpose only, the purchase price must be adjusted by deducting all substantial amounts of financial assistance with respect to the family's acquisition or rehabilitation of the unit that would result in an undue profit to the family if it were to sell the unit at the